

MEMO# 18671

March 21, 2005

SIGN-UP PERIOD FOR PARTICIPATION IN ICI SURVEY OF IMPLEMENTATION OF FUND COMPLIANCE RULE; RESPONSES DUE APRIL 1ST

[18671] March 21, 2005 TO: BOARD OF GOVERNORS No. 11-05 CEOS CHIEF COMPLIANCE OFFICER COMMITTEE No. 26-05 CLOSED-END INVESTMENT COMPANY MEMBERS No. 16-05 COMPLIANCE ADVISORY COMMITTEE No. 24-05 PRIMARY CONTACTS - MEMBER COMPLEX No. 12-05 SEC RULES MEMBERS No. 41-05 SMALL FUNDS MEMBERS No. 26-05 RE: SIGN-UP PERIOD FOR PARTICIPATION IN ICI SURVEY OF IMPLEMENTATION OF FUND COMPLIANCE RULE; RESPONSES DUE APRIL 1ST As we previously informed you, the Institute is planning to conduct a survey regarding the investment company industry's implementation of the new compliance rule under the Investment Company Act of 1940, Rule 38a-1. As with other Institute surveys, survey participants must pay a participation fee, which is set forth below. In order that we may proceed with this project as soon as possible, it is important that members interested in participating in the survey complete and return the attached form to the Institute no later than April 1st. By providing this form to the Institute, you are committing to participating in the survey and paying the participation fee. Only those persons returning the attached form to the Institute will receive additional information about the survey. Please also note that the final results of this survey will only be made available to those members that participate in it. Upon our receipt of the completed form, the Institute will bill you the participation fee and provide you Part I of the survey. (Please do not send any money to the Institute prior to receipt of the invoice.) Persons with questions about the survey should contact Tamara Salmon by phone (202-326-5825) or e-mail (tamara@ici.org). Note: Because of the distribution list to which this memorandum is being sent, it is possible that multiple persons within a fund complex may receive this memorandum. The Institute encourages individual recipients of this memorandum to coordinate the complex's response to ensure that, taken together, all such responses maximize the number of CCOs within the fund complex who participate in this survey without resulting in multiple responses from funds within the complex.

2 PARTICIPATION FEE The participation fee has been designed to cover the Institute's costs of retaining a vendor to design and conduct the survey and provide a report of the survey's findings. The participation fee, which is based on the participant's assets under management, is as follows: Total Assets of Complex* As of 12/31/04 Participation Fee Over \$75 billion \$9,000 \$50 - \$75 billion \$6,500 \$25 - \$50 billion \$4,500 \$5 - \$25 billion \$2,500 \$2- \$5 billion \$1,000 Less than \$2 billion \$500 * "Complex" as used in this column refers to the complex that is listed in the Institute's database as an ICI member. As such, if multiple related fund families have separate Institute memberships, each such fund family would be a separate

“complex” for purposes of determining this fee. As mentioned above, payment of the participation fee will be due upon the participant’s receipt of the Institute’s invoice, not at the time the participant returns the attached form to the Institute.

SURVEY OBJECTIVES The survey, which will be computer based, has been designed to elicit information about how fund complexes have implemented the SEC’s new compliance rule. The survey will include questions in each of the following general areas:

- **Information about the Fund Chief Compliance Officer (“CCO”):** Questions will cover how the function is structured (e.g., whether the same person is serving as chief compliance officer for the adviser, whether the CCO has a dedicated staff), the CCO’s professional background, his or her duties and responsibilities, resources available to the CCO, the structure of his or her compensation,* and any performance review expected of the CCO.
- **Compliance Policies and Procedures:** Questions will cover the scope of the fund’s compliance policies and procedures, the escalation of compliance concerns to the CCO, and the annual review and reporting process.
- **Fund Service Providers:** Questions will cover the review and approval of service providers’ policies and procedures, the ongoing oversight of service providers, and the *

The survey will not request information about the amount of compensation paid to the CCO. Because that information is available from other sources, the Institute will not seek to replicate it. The survey will, however, elicit information about who is paying the compensation and the elements of the compensation package (e.g., bonus, deferred compensation, employer stock).

3 fund’s annual review of the service provider’s policies and procedures.

Interactions with Fund Boards: Questions will cover the information provided to a fund’s board in connection with its oversight of policies and procedures, ongoing communications between the CCO and the board, and reports to the board. The Institute has retained PriceWaterhouseCoopers LLP (PWC) as the vendor on this project. While PWC has worked closely with the Institute staff on designing the survey, PWC will have primary responsibility for administering the survey, communicating with participants to resolve any questions regarding their survey response(s), and preparing the final report of the survey’s findings. Participating complexes will be required to complete the survey in a timely manner and assist PWC with resolving any questions regarding the complex’s responses.

PROPOSED TIMETABLE The survey consists of two parts, Part I of which seeks background information on the fund complex. Participants will receive Part I shortly after the attached form indicating the complex’s interest in participating in the survey. Part I of the survey can be completed by anyone in the complex that is knowledgeable about the complex’s structure and assets under management. It is important that the person completing Part I of the survey be prepared to provide the Institute a comprehensive list of the complex’s participating CCOs. The substantive portion of the survey, Part II, consisting of Sections A and B, will be distributed to those CCOs whose names have been provided to the Institute in response to Part I of the survey. The Institute expects to provide Parts II of the survey to CCOs prior to May 1st, with CCOs having until the end of May to complete it. Assuming timely responses to the survey, a final report of the survey’s findings is expected to be published the first week of October 2005. * * * * Tamara K. Salmon Senior Associate Counsel Attachment (in .pdf format) Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 18671, or call the ICI Library at (202) 326-8304 and request the attachment for memo 18671.